



DEFENSE FINANCE AND ACCOUNTING SERVICE

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APR 14 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER

SUBJECT: Update to the Department of Defense Financial
Management Regulation (DoDFMR), Volume 7, Part B,
Terminating Tax Exclusion on Certain Survivor
Benefit Plan (SBP) Annuity Payments (DFAS Item G-11)

This is an Interim Change Number R13-97 to the DoDFMR,
Volume 7B. This change is effective immediately.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7B. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to initiate a procedural
modification to facilitate this change.

We have determined that this policy change does not require
a change to the current pay system. For the Denver Center, use
the attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Fiti Malufau may be contacted at
DSN 327-5061 or Commercial (703) 607-5061. Our Fax number is
DSN 332-5271 or Commercial (703) 602-5271.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: ASD (FMP)
DGC (F)
DFAS-DE/DG

DFAS-IN
DFAS-KC/FSP
Service Liaisons
USCG/NOAA PHS Liaisons

1. Paragraph 91103b, revise to read:

b. Disabled Member's Death Before Normal Retirement Age.

In addition to the income exclusion allowed for "consideration for the contract," if the member retired because of a physical disability resulting from the military service and died after Sept 20, 1972, but before August 21, 1996, before reaching the normal "retirement age", the survivor may exclude an aggregate amount of \$5000 from taxable income on income tax returns. The survivor includes amounts in excess of \$5,000 in gross income. The DFAS Center should, upon request, provide the effective date of cost, the total cost paid (showing separate totals for deductions and direct remittances), the effective date, and amount of annuity."

2. Add the following to the Bibliography:

Paragraph

Citation

91103b

Public Law 104-188, Sec
1402(a) 20 Aug 1996